

Capital Budget and Debt Limit Discussion

Senate Ways and Means
January 22, 2002



Revenue Update

- The September GF revenue forecast was reduced by \$101 million.
 - In November, the forecast was reduced by an additional \$813 million.
 - These forecast changes reduced “general state revenues” by almost \$800 million for biennium.
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The 7% Statutory Debt Limit

- Principal and interest payments on general obligation bonds may not exceed 7% of the average of prior 3 years “general state revenues”
 - The debt limit was effectively reduced by \$175 million by the change in revenue.
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Governor's Response

- New bond bill that:
 - authorizes \$325 M in new debt. (60% vote required for approval.)
 - amends the 7% statutory debt limit by exempting this new debt from the calculation.
 - dedicates \$25 M per year from the Education Construction Account to pay debt service.
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Governor's Response

- \$325 million list of projects
 - \$25 M for Supplemental Requests
 - \$100 M for “Job Creation and Infrastructure”
 - \$175 M to “restart” the underlying 2001 capital budget
 - \$25 M to replace lost revenue for this biennium
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Governor's Response

\$25 M Supplemental

• Department of Corrections	\$23.4
• Dept. of Social & Health Services	\$1.1
• Department of Fish and Wildlife	\$0.4
• Office of Financial Management	\$0.1





Governor's Response

\$100 M “Job Creation / Infrastructure”

● Universities	\$32.8
● Community/Technical Colleges	\$24.2
● State Parks	\$12.5
● Department of Fish and Wildlife	\$11.2
● Other	\$19.4





Governor's Response

- \$175 M to “restart” the underlying 2001 capital budget
 - \$25 M to replace lost education construction revenue for this biennium
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Legislative Options

- Cut the Capital Budget
 - Amend the debt limit by:
 - Expanding the current list of types of debt that is exempt from the statutory debt limit.
 - Increasing the statutory debt limit from 7% to 7.2%
 - Modify the definition of “state general revenues” or the calculation of the debt limit.
 - Raise general state revenues
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Interest rates are currently at historically low levels.



Source: Bond Buyer Index, general obligation, 20 years to maturity, mixed quality